



DENVER

quarterlyREPORT

**We are a Denver Based Commercial Real Estate Firm Specializing in:**  
Office Industrial Land Investments Tenant Representation Landlord Representation

## Denver Office Market

2010 turned out to be a much better year than most had anticipated, with corporate America leading the way and an unprecedented number of large lease transactions completed as the national and local economies both emerged from the depths of the "Great Recession." Metro Denver's office market outperformed all of the other industry sectors, and finished the year with strong transaction volume, positive net absorption, a decline in the overall vacancy rate and even a slight up-tick in asking rental rates. Much of the activity was due to delayed decision making from years prior and a sense of urgency among tenants to take advantage of favorable lease terms before the pendulum swings back in favor of the landlords. None the less, the office market had a pretty good year considering all of the challenges to overcome in the economy. Though we may never again see the activity of pre-recession level investment sales, there were enough transactions to confirm Denver's place as a preferred investment market amongst institutional investors. Downtown Denver's Granite Tower and Southeast Suburban's ParkRidge Four both sold before the end of the year and the slow but steady flow of sales should continue well into 2011 and beyond. While the office market exceeded all expectations in 2010, the coming year should see a more modest decline in the overall vacancy rate and a gradual push upward in rental rates representative of a more stable and healthy market.

## Denver Industrial Market

The consistent positive absorption over the past 6 quarters, resulting in a 1% decrease in the vacancy rate since 2Q2009, is a strong indicator that the Denver market remains healthy and should continue its slow and steady recovery in 2011. The majority of tenants and users continue to stay put in their existing facilities as a result of the lingering uncertainties surrounding the national economy and landlords aggressively working to retain tenants. However, we are seeing fewer downsizing companies and sublease spaces coming to market signaling improved local fundamentals. Despite the slight uptick in commercial mortgage rates and SBA fee waivers expiring, we anticipate increased user-building sales in 2011 as property owners remain motivated to dispose of listed properties and the available for lease space continues to dwindle. In addition, the lack of new construction for the foreseeable future, condemnation of properties along rail lines for RTD projects, and pent-up demand from the past 24 months should continue to put downward pressure on the vacancy rate and in turn push lease rates and sale prices higher. We also anticipate additional investment sales in 2011 as the capital markets continue to improve for well located and stable investment grade opportunities. Many would-be sellers and buyers of investment properties have remained on the sidelines since 2009 waiting for signs of life in the investment market and favorable access to capital.

| OFFICE | Lease | Company   | Square Feet   | Property   | Submarket                        |
|--------|-------|---|---|--|----------------------------------|
|        |       | LGS Innovations<br>Sherman & Howard<br>Rally Software         | 133,352<br>123,284<br>65,545  | Westmoor Technology Park<br>633 Seventeenth Street<br>3333 Walnut Street | NW<br>CBD<br>Boulder             |
| OFFICE | Sale  | Buyer   | Seller  | Property   | Price                            |
|        |       | KBS REIT<br>Walton Street Capital<br>Miller Global Properties | Granite Properties<br>Lionstone Group<br>Grosvenor Investment Mgmt. | Granite Tower<br>Broadway Station<br>ParkRidge Four                      | \$265/SF<br>\$156/SF<br>\$139/SF |

| INDUSTRIAL | Lease | Company  | Square Feet   | Property   | Submarket                     |
|------------|-------|--|---|--|-------------------------------|
|            |       | Prime Source<br>MillerCoors<br>FreshPack Produce | 126,580<br>111,000<br>97,000                                    | 12950 East 38th Avenue<br>Colorado Trade Center<br>Colorado Trade Center                       | Airport<br>Central<br>Central |
| INDUSTRIAL | Sale  | Buyer  | Seller  | Property (Square Footage)  | Price                         |
|            |       | PST LLC<br>Custom Corned Beef<br>Lenfa Foods     | Cadogan Investment<br>Judd Properties<br>Russell Stover Candies | 4545 East 51st (122,398 SF)<br>5575 Logan Street (62,704 SF)<br>3333 Moline Street (56,093 SF) | \$47/SF<br>\$42/SF<br>\$30/SF |

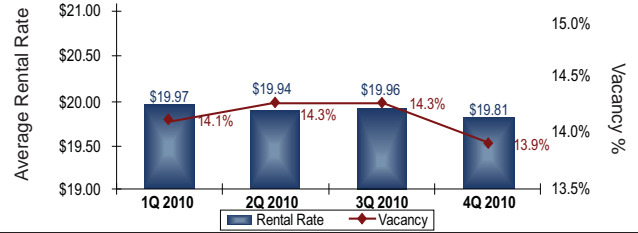


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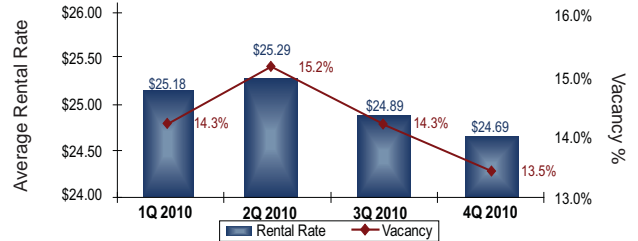
**Overall Office**

|   |                       |            |
|---|-----------------------|------------|
| ↓ | Vacancy               | 13.9%      |
| ↔ | Rates                 | \$19.81/SF |
| ↑ | Net Absorption        | 899,392 SF |
| ↔ | Construction Activity | 478,822 SF |



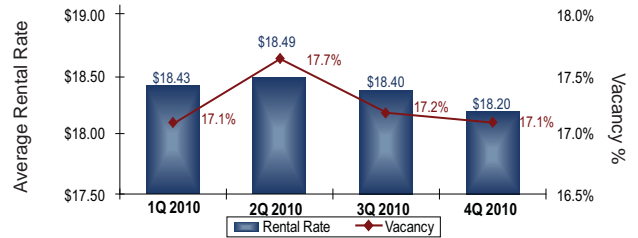
**CBD Office**

|   |                       |            |
|---|-----------------------|------------|
| ↓ | Vacancy               | 13.5%      |
| ↔ | Rates                 | \$24.69/SF |
| ↑ | Net Absorption        | 245,888 SF |
| ↔ | Construction Activity | 0 SF       |



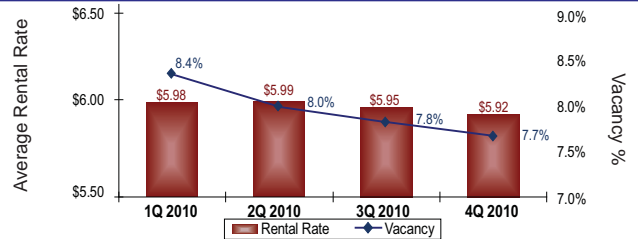
**Southeast Suburban Office**

|   |                       |            |
|---|-----------------------|------------|
| ↔ | Vacancy               | 17.1%      |
| ↔ | Rates                 | \$18.20/SF |
| ↔ | Net Absorption        | 56,159 SF  |
| ↔ | Construction Activity | 0 SF       |



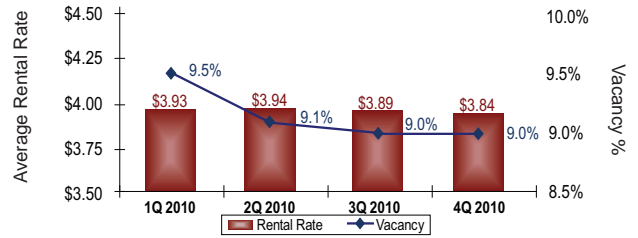
**Overall Industrial**

|   |                       |            |
|---|-----------------------|------------|
| ↓ | Vacancy               | 7.7%       |
| ↔ | Rates                 | \$5.92/SF  |
| ↔ | Net Absorption        | 372,926 SF |
| ↑ | Construction Activity | 141,243 SF |



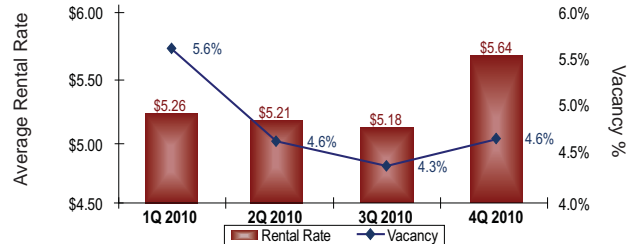
**Airport/Montbello Industrial**

|   |                       |            |
|---|-----------------------|------------|
| ↓ | Vacancy               | 9.0%       |
| ↔ | Rates                 | \$3.84/SF  |
| ↓ | Net Absorption        | (5,132) SF |
| ↔ | Construction Activity | 0 SF       |



**Central Industrial**

|   |                       |              |
|---|-----------------------|--------------|
| ↓ | Vacancy               | 4.6%         |
| ↑ | Rates                 | \$5.64/SF    |
| ↓ | Net Absorption        | (148,148) SF |
| ↔ | Construction Activity | 0 SF         |



(Information contained herein, while not guaranteed, is from sources Bitzer Real Estate Partners/CORFAC International believes to be reliable.) Source: CoStar

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